



USDA Foreign Agricultural Service

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## Hong Kong

### Market Development Report

## Macau – A Booming Tourist Destination Creates New Opportunities for U. S. Exporters

2007

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**Report Highlights:** The spectacular growth of Macau (population: 500,000) is creating new export opportunities for U.S. foods and beverages. This growth is due to a combination of the opening up of its monopolistic gaming industry in 2002, and the boom in tourism following the relaxation of individual travel from mainland China in 2003. By the end of 2006, total investment in these two industries had reached US\$14.7 billion. In 2006, Macau reportedly earned US\$6.87 billion in casino revenues, overtaking the Las Vegas strip's US\$6.69 billion. Macau hosted 22 million visitors in 2006, a growth of 91% over 2002. U.S. exports of consumer-oriented agricultural products to Macau, although starting at a low baseline, reached a record high of US\$8.3 million in 2006, up 635% over 2005. Speedy growth in Macau's HRI sector is expected to continue as new casinos, hotels, fine dining restaurants and other tourist attractions are set to open in the later half of 2007 and 2008 to accommodate the continued influx of visitors. As the demand for food imports grows, Macau importers that used to buy indirectly via Hong Kong distributors are seeking to buy directly from U.S. suppliers. As this market continues to develop, there will be growing opportunities for U.S. exporters of a wide variety of high quality U.S. foods and beverages. Wine and Gourmet Asia (Nov 7-9, 2007) provides an excellent opportunity for U.S. food and beverage exporters to penetrate this fast-growing market.

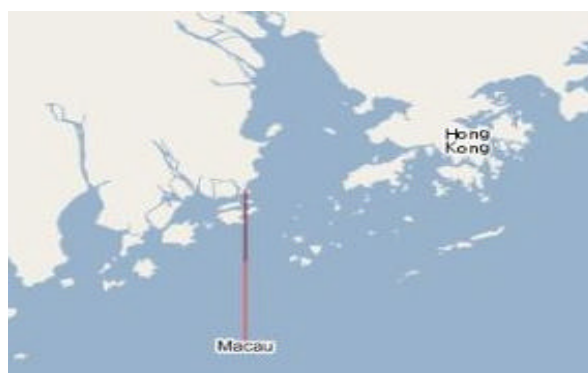
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Includes Trade Matrix: No  
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## BACKGROUND

Macau is a small city with a population of around 500,000 and an area of 28.2 km, which is less than one-sixth the size of Washington D.C. As regards agriculture, only 2% of land area is cultivated and used mainly by vegetable growers. Macau is located adjacent to Hong Kong in the southern part of China (please see the maps below). It takes only an hour by high-speed ferry to travel between the two cities.



(Map of China, showing Hong Kong and Macau)



(Map of Hong Kong and Macau)

Macau, the first European settlement in the Far East and a Portuguese colony, became the Macau Special Administrative Region (SAR) of China on 20 December 1999. China has promised that, under its “one country two systems” formula, Macau will enjoy a high degree of autonomy in all matters except foreign and defense affairs for the next 50 years. Since reversion, the Macau SAR Government has maintained a transparent, non-discriminatory and free market economy.

Like Hong Kong, Macau is a free port with many experienced traders that distribute products to and from China, particularly the eastern part of the adjacent Guangdong province. Macau also has a sound financial and legal system. However, exporters have always overlooked these positive attributes as Macau has been a small market and overshadowed by neighboring Hong Kong.

## OPENING UP OF THE GAMING INDUSTRY

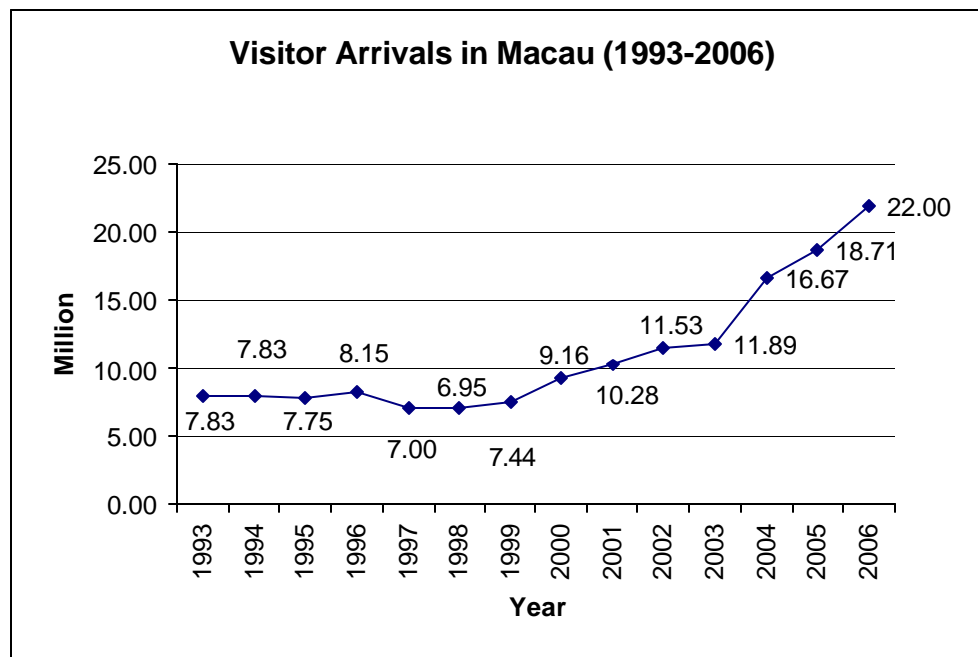
In February 2002, the Macau SAR ended “Sociedade de Turismo e Diversões de Macau” (STDM)’s 40 year gaming monopoly. Since then, Macau has attracted droves of new investors, including U.S. companies, such as Las Vegas Sands Corporation and Wynn Resorts. Below are some new hotels that have been open since then:

Hotel	Size	Investment
Sands Casino	24,400 sq.m.	US\$240 million
Waldo Hotel	36,000 sq.m.	US\$64 million
Wynn’s Macau (Phase 1)	64,750 sq.m.	US\$1.2 billion (all phases)
Galaxy StarWorld Hotel	95,000 sq.m.	US\$225 million
Crown Macau (Hotel)	106,000 sq.m.	NA

(Source: Macau Government Tourist Office and websites of hotels/casinos)

## CHINA'S NEW TOURISM POLICY

In addition to the opening of the gaming industry, Macau's economy was boosted by the rapid rise in the numbers of mainland Chinese visitors because of China's easing of restrictions in 2003 on individual travel from several Chinese provinces. Growth of visitor arrivals began to accelerate since then, as shown by the chart below:



(Source: Macau Government Tourist Office)

## IMPACT ON MACAU

The boom of the gaming industry is fast and apparent. Only four years after opening up its gaming industry, Macau reportedly earned US\$6.87 billion in casino revenues 2006, overtaking Las Vegas' US\$6.69 billion. Apart from gaming, Macau is striving to diversify its appeal by developing first class convention facilities.

The growth in the tourism industry is also significant, as shown by the statistics below:

Tourism Statistics	2000	2006	Growth
Hotels	38	51	34%
Guest Houses	33	32	-3%
Rooms (Hotels & Guest Houses)	9,284	12,954	40%
Restaurants	158	240	52%
Licensed Travel Agencies	103	122	18%
Mainland Chinese Tourists	2,274,713	11,985,000	427%
Total Visitor Arrivals	9,162,212	21,998,000	140%

(Source: Macau Government Tourist Office)

The spectacular growth experienced in Macau, primarily as a result of new casinos and resort hotels has already aroused the attention of its neighbor and competitor – Hong Kong. The statistics on the next page show that Macau, due to the rapid growth of its tourism industry, is closing its gap with Hong Kong as a major tourist destination.

Macau and Hong Kong Compared	Macau	Hong Kong	Macau/Hong Kong
Total Visitor Arrivals (2005)	18,711,187	23,359,417	80%
Total Visitor Arrivals (2006)	21,998,000	25,251,124	87%
Mainland Chinese Tourists (2005)	10,462,966	12,541,400	83%
Mainland Chinese Tourists (2006)	11,985,000	13,591,342	88%

(Source: Macau Government Tourist Office, Hong Kong Tourism Board)

The rapid growth of the gaming and tourism industries has a positive impact on Macau's overall economy, as reflected by the statistics below:

	2003	2004	2005	2006
GDP (US\$ Million) *	7,946	10,362	11,574	14,296
Growth (current year/last year)	NA	30%	12%	24%
GDP per capita (US\$)	17,697	22,283	23,717	28,436
Growth (current year/last year)	NA	26%	6%	20%

(\* Calculation based on US\$1 = MOP 8)

## GROWING OPPORTUNITIES FOR U. S. FOODS AND BEVERAGES

Macau has been importing many agri-food products indirectly via Hong Kong. Because of the spectacular growth in the tourism and gaming industries, Hong Kong re-exports of Consumer Oriented Agricultural Products<sup>1</sup> to Macau have grown significantly, as shown by the statistics below:

**Hong Kong Re-exports of Consumer Oriented Agricultural Products to Macau (2001-06) in US\$ Million**

HS Code	Description	2001	2002	2003	2004	2005	2006
	<b>Consumer Oriented Agriculture Total</b>	<b>76.0</b>	<b>79.2</b>	<b>85.4</b>	<b>113.2</b>	<b>143.3</b>	<b>153.4</b>
	<b>Top 20 Categories (based on 2006 figures)</b>						
0402	Milk And Cream, Concentrated Or Sweetened	11.4	12.5	12.3	13.7	17.9	21.5
1704	Sugar Confection (Incl. White Chocolate), No Cocoa	3.8	3.7	5.2	7.5	10.7	12.2
1806	Chocolate & Other Food Products Containing Cocoa	3.9	5.1	5.1	6.5	7.9	11.1
1905	Bread, Pastry, Cakes Etc; Comm Wafers, Emp Caps	3.1	3.2	4.6	5.3	8.6	9.4
2008	Fruit, Nuts Etc Prepared Or Preserved	1.3	1.4	1.7	4.0	6.9	7.5
2202	Waters, Sweetened Etc & Other Nonalc Beverages	5.5	4.8	5.6	8.1	10.4	7.4
2204	Wine Of Fresh Grapes; Grape Must Neso	1.2	1.6	1.9	3.6	4.3	7.3
0207	Meat & Ed Offal Of Poultry, Fresh, Chill Or Frozen	9.9	9.5	7.7	6.3	7.6	6.8
210690	Food Preparations	2.6	2.4	2.4	3.2	5.4	5.6
0203	Meat Of Swine (Pork), Fresh, Chilled Or Frozen	2.8	3.8	4.0	6.1	5.9	5.2
2005	Vegetables Prepared Etc , Not Frozen	1.2	1.9	2.5	4.4	4.3	5.1
1602	Prepared Or Preserved Meat, Meat Offal & Blood	1.5	1.8	1.8	2.5	4.0	4.9
1902	Pasta, Prepared Or Not; Couscous, Prepared Or Not	1.2	1.6	2.0	2.8	3.9	4.0
2103	Sauces & Prep; Mixed Condiments, Mustard Flour	1.4	1.5	1.7	3.5	4.7	4.0
2203	Beer Made From Malt	4.9	5.0	5.6	5.3	4.0	3.5
0401	Milk And Cream, Not Concentrated Or Sweetened	1.5	1.3	1.2	1.6	2.2	2.5
1901	Malt Ext; Food Prep Of Flour Etc Un 40% Cocoa Etc	1.1	0.9	1.2	1.1	1.9	2.4
0202	Meat Of Bovine Animals, Frozen	1.4	1.7	2.2	6.2	4.1	2.3
0406	Cheese And Curd	0.7	0.9	1.1	1.6	1.7	2.2
1601	Sausages, Similar Prdt Meat Etc Food Prep Of These	2.3	1.9	2.3	1.8	2.2	2.1
	<b>Total of Top 20 Categories</b>	<b>62.8</b>	<b>66.5</b>	<b>71.8</b>	<b>95.2</b>	<b>118.6</b>	<b>126.9</b>

(Source: World Trade Atlas)

<sup>1</sup> Consumer Oriented Agricultural Products refer to those high value products which are more-or-less ready to be used at consumers level (e.g. for sale at retail level, for use at restaurants). Examples include mainly those retail customers can find at supermarkets such as beef, sausages, packaged products, fresh fruits and vegetables...etc.

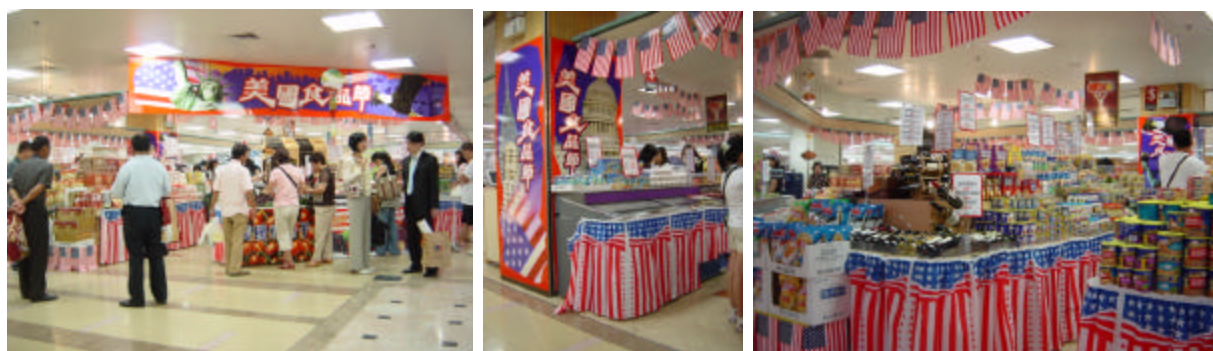
The increasing demand for quality food and beverage products is providing potential opportunities for U.S. exporters. As shown by the statistics below, U.S. exports of consumer oriented agricultural products have grown steady from 2001 to 2005 and more significantly in 2006 as more hotels and restaurants have started their operation that year.

**U. S. Exports of Consumer Oriented Agricultural Products to Macau (2001-06) in US\$ Million**

		2001	2002	2003	2004	2005	2006
	<b>Consumer Oriented Agriculture Total</b>	<b>0.64</b>	<b>0.49</b>	<b>0.69</b>	<b>0.69</b>	<b>1.13</b>	<b>8.30</b>
<b>HS Code</b>	<b>Top 5 Categories (based on 2006 figures)</b>						
0202	Meat Of Bovine Animals, Frozen	0.00	0.00	0.00	0.00	0.00	3.77
1601	Sausages, Similar Prdt Meat Etc Food Prep Of These	0.00	0.00	0.00	0.00	0.00	1.41
0201	Meat Of Bovine Animals, Fresh Or Chilled	0.00	0.00	0.00	0.00	0.30	1.11
2204	Wine Of Fresh Grapes; Grape Must Nesoi	0.27	0.04	0.31	0.16	0.14	1.01
0206	Ed Offal, Bovine, Swine, Sheep, Goat, Horse, Etc.	0.00	0.00	0.00	0.00	0.00	0.82
	<b>Total of Top 5 Categories</b>	<b>0.27</b>	<b>0.04</b>	<b>0.31</b>	<b>0.16</b>	<b>0.44</b>	<b>8.12</b>

(Source: World Trade Atlas)

Given the increase in per capita income, more consumers in Macau are looking for high quality food products. ATO Hong Kong is currently organizing a USA Food Promotion at the top-end retailer in Macau – New Yaohan Department Store. The retailer realizes that the demand of high quality food products will definitely be on the rise and is planning to move to a bigger store in 2008 so that they can offer more varieties of different products to their customers.



(Photos taken at the USA Food Promotion at New Yaohan Department Store July 16-29, 2007)

Food importers<sup>2</sup> in Macau are also optimistic about the future of the Macau food market in light of the continued growth of the gaming and tourism industries. Given the high quality of U.S. products and a weakened U.S. dollar, they expect U.S. food exports to Macau will continue to grow in 2007. In view of the increase in demand for food products, Macau importers that used to buy products from Hong Kong distributors are now considering to buy directly from suppliers. One of the food importers is already building a larger warehouse to cater for the increase in demand for food and beverage products from both the retail and HRI sector.

## THE GROWTH CONTINUES

Between now and 2008, Macau will continue to witness a breakneck pace of the development, including more casinos and 5-star hotels, plus millions more square feet of shopping space for retail, including fine dining and a variety of other food retail outlets.

<sup>2</sup> Interviews with two large food importers in Macau on July 17, 2007

These hotels and restaurants will continue to offer excellent opportunities for U.S. foods and beverages:

Hotel/Theme Park/Casino	Size	Investment	Open
Grand Lisboa	114,000 sq.m.	US\$312 million	Second half of 2007
MGM Grand Macau	35,000 sq.m.	US\$1.06 billion	Second half of 2007
CoTai Strip	485,623 sq.m.	US\$12 billion	Second half of 2007
Wynn Resorts (Macau) Ltd.	64,750 sq.m.	US\$705 million	Q3 2007
Ponte 16 Theme Park	130,000 sq.m.	US\$256 million	End 2007
Galaxy Cotai Mega Resort	32,516 sq.m.	US\$375 million	Phase 1: Q1 2008
The City of Dreams	113,325 sq.m.	NA	End 2008
<b>Total</b>		<b>&gt;US\$ 14.7 billion</b>	

(Source: Macau Government Tourist Office and websites of hotels/casinos)

In addition, like Hong Kong, Macau has signed the Closer Economic Partnership Arrangement (CEPA) with China. CEPA provides liberalization measures on the trade of goods and services entering the mainland and promising benefits for Macau's economy.

Moreover, the construction of Zhuhai-Macau Cross-border Industrial Zone will boost the mutual complementary advantages between Macao and the neighboring city of Zhuhai, and Guangdong Province. This will be another factor supporting the continued growth of Macau.

## HOW TO GAUGE THE OPPORTUNITIES

For new-to-market companies that wish to enter the Macau market, the following approaches are recommended:

- Exhibiting in a trade show: There is a trade show in Macau for U.S. food and beverage exporters to showcase their high quality products to buyers from Macau, Hong Kong, China and the region:

Wine and Gourmet Asia (Nov 7-9, 2007): <http://www.wineandgourmetasia.com>

- One-on-one meetings with potential importers: Most importers in Macau are interested in meeting new-to-market exporters in a private environment. A list of food importers in Macau is available from the Agricultural Trade Office.

## USEFUL CONTACTS

### Post Contact

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